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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 02/26/08

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Articles:

1) TOP HEADLINES

Asahi:

With Defense minister being informed that Aegis destroyer crew spotted fishing boat "12 minutes before collision," he may face question of whether to stay or resign

Mainichi:

Greenhouse gas emission reduction targets likely to be set for offices, convenience stores, schools

Yomiuri:

Japan, ROK will reopen shuttle diplomacy with emergence of new South Korean President Lee

Nikkei:

Sharp, Daiwa House to tie up for joint development of storage cells for housing in effort to make best use of solar energy generation

Sankei:

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FNN poll: Cabinet approval rating falls to below 30 PERCENT with more than 70 PERCENT "do not appreciate" MSDF's response to Aegis destroyer collision

Tokyo Shimbun:

Defense minister was informed on the day of collision that the Aegis destroyer Atago spotted a fishing boat 12 minutes before collision

Akahata:

One week has passed since the Aegis destroyer collided with a fishing boat: Questioning of Aegis captain not conducted yet

2) EDITORIALS

Asahi:

- (1) Murder case in LA: What is the "new evidence"?
- (2) We hope new ROK president will live up to expectations

Mainichi:

- (1) Japan-ROK summit: Japan, ROK need to look to the future
- (2) Disclosure of Microsoft basic code: We want software development to attract young talent

Yomiuri:

- (1) ROK President Lee: Best opportunity for Japan, U.S., ROK to rebuild trilateral ties
- (2) ShinGinkyo Tokyo should withdraw from market

Nikkei:

- (1) We expect ROK President Lee to do his part on DPRK, EPA
- (2) Destruction of satellite by missile leaves us with concern about space arms race

Sankei:

- (1) New ROK president: Japan, ROK should look to the future instead of the past
- (2) Murder case in LA: Time to debate statute of limitations on murder

Tokyo Shimbun:

- (1) Japan, ROK need to work to stabilize Asia

(2) Microsoft: Now is time to open everything

Akahata:

(1) One week has passed since collision of Aegis destroyer and fishing boat: Intensive discussion essential to shed light on truth

3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, February 25

NIKKEI (Page 2) (Full)
February 26, 2008

Morning

Attended the inauguration of Lee Myung Bak as president of South Korea at the National Assembly plaza in Seoul.

Afternoon

Held a meeting with President Lee at the Blue House.

Night

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Departed from Seoul Air Base.

20:52

Arrived at Haneda Airport.

21:25

Arrived at his official residence.

4) Poll: Cabinet support falls below 30 PERCENT

SANKEI (Top play) (Abridged)
February 26, 2008

The Sankei Shimbun and Fuji News Network (FNN) conducted a joint public opinion survey on Feb. 23-24, in which the rate of public support for Prime Minister Yasuo Fukuda's cabinet dropped 7.9 percentage points from the last survey (taken Jan. 13-14 this year) to 28.7 PERCENT . The Fukuda cabinet's support rate fell below 30 PERCENT for the first time. Meanwhile, its nonsupport rate rose 4.9 points to 52.2 PERCENT , also topping 50 PERCENT for the first time. In the breakdown of public support for political parties, the ruling Liberal Democratic Party stood at 27.8 PERCENT , down 4.3 points. The leading opposition Democratic Party of Japan (Minshuto) was at 25.3 PERCENT .

On a gender basis, the Fukuda cabinet's support rate among women was higher than that among men, scoring 31.1 PERCENT from women and 26.1 PERCENT from men. However, the Fukuda cabinet's popularity rating among women was down 9.3 points from the last survey. In addition, the Fukuda cabinet's approval rating among men also dropped 6.4 PERCENT . This can be taken as a factor that caused the support rate to fall below 30 PERCENT in the survey this time.

In the survey, respondents were asked what they thought about the Fukuda cabinet's response to the recent collision of a Maritime Self-Defense Force Aegis destroyer with a fishing boat. To this question, positive answers came from 11.6 PERCENT , with negative answers accounting for 76.1 PERCENT . As seen from these figures, many were concerned about the Fukuda administration's crisis management capability. Respondents were also asked about the Fukuda cabinet's handling of a series of recent incidents caused by U.S. service members in Japan. To this question, negative answers accounted for 70 PERCENT . Respondents were further asked about the Fukuda cabinet's economic policy and its way of dealing with the government's pension record-keeping flaws. In response, negative answers accounted for over 60 PERCENT .

In addition, the survey also asked respondents if they would support a "grand coalition" of the LDP and the DPJ. In response, 30.5 PERCENT answered "yes," with 50.8 PERCENT saying "no." Meanwhile, they were asked if they would like to see political realignment. To this question, "yes" accounted for 58.9 PERCENT . As is evident from these figures, the public is critical of the idea of the LDP and DPJ

joining hands. On the other hand, the public is dissatisfied with the present-day framework of government.

Respondents were next asked how long they thought the Fukuda cabinet would continue. To this question, "until around the next election for the House of Representatives" topped all other answers at 49.1 PERCENT , followed by "until around the fall of next year" at 33.6 PERCENT . Respondents were also asked when they would like the next House of Representatives election to take place. To this question,

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however, "after this July's G-8 summit in Japan and during the latter half of this year" accounted for 45.3 PERCENT , topping all other answers. "Upon the current term's expiry or early next year" was at 34 PERCENT .

5) Defense minister informed that night that Aegis destroyer crew spotted fishing boat "12 minutes before"; Could affect whether he will resign or not

ASAHI (Top play) (Excerpts)
February 26, 2008

The Ministry of Defense (MOD) initially announced that the Maritime Self-Defense Force's (MSDF) Aegis destroyer Atago crew had spotted the fishing boat Seitokumaru "two minutes before the collision," but afterwards MOD corrected that time and said it was "12 minutes before." In this connection, it was learned that Defense Minister Ishiba on the night of the 19th was informed that it was "12 minutes before," but that at a press briefing held later by the Maritime Staff Office (MSO), MOD did not give correct information and instead it said it was "two minutes before." As the reason why it did so, MOD explained that because it did not fully confirm the time before the collision, it refrained from saying it was '12 minutes before.' But if this was done to intentionally conceal the fact, the question of whether Ishiba will stay or resign in office could be affected.

According to MOD, the MSO told the Aegis destroyer's chief navigator to come to the MSO by a helicopter at 10:00 a.m. of Feb. 19 before the start of the Japan Coast Guard's (JCG) questioning. In the MSO, the chief navigator told the MSO staff that it was two minutes before he had spotted the fishing boat. This information was conveyed by the MSO staff to Ishiba around noon of that day. Based on the information, Ishiba said at a ruling Liberal Democratic Party's (LDP) division meeting that started at 5:00 p.m. of that day: "The Aegis destroyer spotted the fishing boat two minutes before colliding with it."

At a press briefing held at 11:00 p.m. of that day, the MSO's Operations and Plans Department director-general declared: "The Aegis destroyer spotted the light of the fishing boat two minutes before colliding with it." MOD's explanation about this announcement was that at that point in time, MOD did not fully confirm the time, so it announced the same as it did at an LDP division meeting.

At a Lower House Security Committee session on Feb. 22, Ishiba said, "It is only natural for me to take responsibility if there is any covering up. I have always cut off my retreat when I serve in the ministerial post." This remark implied that he would resign if a concealment of information comes to light.

6) Iwakuni mayor to accept U.S. jet relocation

YOMIURI (Page 2) (Full)
February 26, 2008

Yoshihiko Fukuda, the newly elected mayor of Iwakuni City in Yamaguchi Prefecture has now made up his mind to accept a government-proposed plan to relocate U.S. carrier-borne fighter jets from the U.S. Navy's Atsugi base in Kanagawa Prefecture to the U.S. Marine Corps' Iwakuni base in his city along with the realignment of U.S. forces in Japan, city officials said yesterday. Fukuda will clarify the decision before his city's municipal assembly in its

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opening session on Feb. 28. He will shortly come up to Tokyo and formally convey his decision to the government. The relocation plan has been at a standstill because his predecessor, Katsusuke Ihara, had raised an objection. The plan, however, is now expected to make progress.

Fukuda will address his city's assembly at the opening of its regular session. In his policy speech there, the mayor will appreciate the government for considering a plan to ease the city's base-hosting burden, including noise abatement measures, officials said. He will state before the assembly that he thinks he should basically cooperate on the U.S. military's realignment if the government takes specific measures, according to the officials.

7) Fukuda, Lee agree to repair Japan-ROK relations and hold EPA preliminary talks

NIKKEI (Page 1) (Excerpts)
February 26, 2008

Hiroshi Minegishi, Seoul

Prime Minister Yasuo Fukuda held talks with new South Korean President Lee Myung Bak at the Blue House presidential office yesterday afternoon in which the two leaders agreed to rebuild Japan-South Korea relations which were strained during the previous Roh Moo Hyun administration over the historical and Yasukuni issues. They also agreed to begin preliminary talks to resume the economic partnership agreement (EPA) talks, which have been on hold for three years. A decision was also made for President Lee's visit to Japan in April as part of the reciprocal visits by top leaders of Japan and South Korea.

Prime Minister Fukuda called for building a new Japan-South Korea era, saying: "The two countries are most important to each other. I would like to forge relations in which we can exchange views frankly." President Lee agreed with Fukuda. They also agreed to strengthen cooperative ties between Japan, the United States, and South Korea in order to press North Korea to abandon its nuclear programs.

The prime minister also invited South Korea to attend the G8 Lake Toya Summit Outreach Meeting to be held in July. President Lee expressed his gratitude in response.

The Japan-ROK EPA talks that started in December 2003 have not been held since in November 2004 when South Korea, which sought 90 PERCENT of the agricultural market be opened up, expressed displeasure with Japan's response.

The prime minister said: "(An EPA) is necessary in order to strengthen economic relations between the two countries. I would like see preliminary talks between the two countries in order to determine a direction (of the EPA talks)." In response, the president said, "I agree."

8) Fukuda, Lee agree to hold preliminary talks on resuming EPA negotiations

MAINICHI (Page 9) (Full)
February 26, 2008

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In a meeting held between Prime Minister Yasuo Fukuda and new South Korean President Lee Myung Bak yesterday, the two leaders decided to hold preliminary talks on reopening negotiations talks on forming a bilateral economic partnership agreement (EPA) after a hiatus of about three years. Between the two countries, there are such historical issues as Japan's colonial rule of South Korea. These issues stand in the way of moves to strengthen bilateral economic relations between the two neighbors. Japan-South Korea relations are now set to grow stronger under the new president, who places emphasis on rebuilding the economy.

"Talks (on concluding an EPA) have been suspended over many years, so let's start with preliminary talks." Fukuda and Lee agreed to set moves in motion to resume EPA negotiations. Both sides are expected to discuss specifics when Lee visits to Japan in April. In the summit, they also shared the need for the two countries to further deepen bilateral economic ties. It is now expected that EPA negotiations will rapidly make headway.

Japan and South Korea started EPA negotiations in December 2003. South Korea called on Japan to open its agricultural market 90 PERCENT, but Japan responded to the request in a cautious manner, upsetting its negotiator. Since November 2004, no negotiations have been held. Japan has lagged behind other countries in competition over EPAs. Based on the judgment that concluding an EPA with South Korea is indispensable, Japan has been exploring ways to resume negotiations.

With the inauguration of Lee, who places emphasis on revitalizing the economy, is turning the situation around. Some observers anticipate that the growing mood for building a new Japan-South Korea era will prompt both sides to reach an agreement in EPA negotiations. In the Korean automobile industry, however, many are still calling for caution about concluding an EPA. Meanwhile, Japan remains opposed to significantly opening its agricultural market. The rift between the two countries is still wide.

9) Gist of Fukuda-Lee meeting

YOMIURI (Page 4) (Full)
February 26, 2008

The following is a gist of the summit meeting held on February 25 between Prime Minister Yasuo Fukuda and South Korean President Lee Myung Bak:

Japan-ROK relations

Prime Minister Fukuda: This is your first summit meeting as president of South Korea. I am grateful for this opportunity, believing it reflects your true feelings. South Korea is our most important neighbor. I would like to build a new Japan-South Korea era working with you, Mr. President.

President Lee: Cooperation between our two countries can wield great influence in the international community. You, Mr. Prime Minister are placing high priority on policy toward Asia. I totally agree with you.

Prime minister: It is important to recognize what took place in the past as facts and humbly face history. We must always consider what the other party thinks. It is important to discuss the future from

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such a perspective.

President: I would like to realize cooperation while looking toward the future.

North Korea

Prime minister: I would like to see cooperative ties between Japan and South Korea and between Japan, the United States and South Korea strengthened further in our efforts to denuclearize North Korea.

President: I also would like to see close cooperation between Japan, the United States, and South Korea. I am fully aware of Japan's positions (on the abduction issue and other matters).

Economic cooperation

Prime minister: I would like to see preliminary talks on a Japan-South Korea Economic Partnership Agreement (EPA).

President: I will study ways to resume the talks.

Prime minister: I would like to see cooperation on energy policy and

policy toward small and medium-sized companies, as well. It is important to strengthen the dialogue and cooperation of business circles.

President: I totally agree with you.

10) Fierce battle between ruling and opposition camps over when to take vote on budget bill

YOMIURI (Page 4) (Excerpts)
February 26, 2008

The House of Representatives Budget Committee approved yesterday to open an ad hoc subcommittee on Feb. 27 and 28 by a majority of the ruling parties, paving the way for an environment for taking a vote a bill on the budget for fiscal 2008 as early as the 28th. The ruling coalition aims to pass taxation-related bills, including one to amend the Special Taxation Measures Law, which would retain the current provisional tax for gasoline, through the Lower House by the end of this month. The opposition camp, however, intends to put up do-or-die resistance, calling for concentrated deliberations on the road-use revenue issue and the collision between a Self-Defense Force Aegis ship and fishing boat. Intertwined with the Diet approval of a new governor of the Bank of Japan, a tug-of-war has now reached a crucial stage between the ruling and opposition camp at the Lower House.

The Diet affairs chiefs of the two Diet chambers from the ruling Liberal Democratic Party (LDP) and its junior coalition partner New Komeito confirmed yesterday a policy of getting the FY2008 budget and taxation-related bills through the Lower House before the end of February. In yesterday's meeting of the Budget Committee directors, the two ruling parties proposed putting the bills to a vote on the 28th.

11) Ruling parties to approve revision to provisional tax rate bill subject to DPJ coming up with counterproposal

TOKYO SHIMBUN (Page 2) (Full)

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February 26, 2008

The ruling parties yesterday decided to respond to the Democratic Party of Japan's (DPJ or Minshuto) call for a revision to their bill amending the Special Tax Measures Law, which includes the maintaining of the special rate on the gas tax, if it presents a counterproposal to the Upper House.

Ruling party members, especially road lobby members in the Liberal Democratic Party (LDP), who have strong influence on road administration, had been strongly opposing the idea of revising the bill. However, the LDP leadership has judged that there is a strong possibility that if the ruling parties do not lend an ear to the DPJ, which controls the Upper House as the no. 1 party, it would delay a roll call on the bill, causing the provisional rate to expire.

Regarding the issue of whether to revise the bill amending the Special Tax Measures Law, proposals, such as shortening the margin of the extension of the provisional tax rate from the planned 10 years, taking a second look at the mid-term road construction program, which includes 59 trillion yen as project expenses covering 10 years and turning part of special-purpose road construction revenue sources, such as the gas tax, into an environment tax, have been floated in the ruling camp.

However, the views of the DPJ, which is calling for scrapping the provisional tax rate and reallocating special-purpose road construction revenues for other uses, are far apart from the ruling camp-sponsored bill amending the Special Tax Measures Law. So revision talks will likely encounter difficulties.

Prime Minister Yasuo Fukuda on Feb. 24 expressed his intention to positively respond to the opposition camp's call for a revision of the bill. He told reporters in Seoul, which he was visiting then, "I

will deliberate on the bill with the possibility of revising it and securing Diet passage within the current fiscal year into consideration."

Election Committee Chairman Makoto Koga, a heavyweight in the LDP's road policy clique in the Diet, on Feb. 23 indicated his intention to approve a revision to the bill on condition that the DPJ submits a counterproposal.

12) Surplus gas tax revenues: Government, ruling parties mulling stricter enforcement of reallocation of road funds for other uses, shifting stance to talks to revise amendment to special tax measures law

MAINICHI (Page 1) (Excerpt)
February 26, 2008

The government and the ruling parties yesterday started reconsidering the bill amending the Road Construction Revenues Special Exemption Law aimed at reallocating revenues from the gasoline tax that exceed road construction expenses in each fiscal year for other uses. Specifically, they are looking into the possibility of deleting a provision stipulating that the amount of money equal to road funds reallocated for other uses should be transferred to special-purpose road construction funds for the following fiscal year and beyond. This proposal was intended to enable the construction of roads as planned, while reallocating road

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funds for other uses as well. However, in an effort to enact the bill amending the Special Tax Measures Law, which incorporates an extension of the special rate on the gas tax, the government and the ruling camp decided to use the scrapping of that proposal as a trigger for revision talks with the Democratic Party of Japan (DPJ or Minshuto).

13) Ozawa reveals Prime Minister Fukuda sounded him out on another direct meeting, but he declined

MAINICHI (Page 2) (Full)
February 26, 2008

Ichiro Ozawa, president of the main opposition Democratic Party of Japan (DPJ or Minshuto), revealed yesterday at a press conference in Kumamoto City that Prime Minister Yasuo Fukuda's side had sounded out him about a face-to-face meeting on the issue of selecting a new Bank of Japan governor, but he had declined the offer, saying: "Since there has been no progress since (the grand alliance uproar) last year, I will not hold a direct meeting with the Prime Minister."

Fukuda is believed to have a desire to form a grand alliance. Therefore, he might have approached Ozawa to hold a meeting taking advantage of the issue of selecting a new BOJ governor. Fukuda told reporters about a possible meeting with Ozawa: "I cannot predict whether there will be need for it or not."

It has been decided that the government will present its choice of new BOJ governor to the steering committees of the two Diet chambers. Despite that, if Fukuda considered a face-to-face meeting with Ozawa, speculation would erupt in political circles.

Ozawa said in the press conference: "I was not directly sounded out." Some in the DPJ are still worried and doubts that Ozawa may rekindle the grand alliance notion in concert with Fukuda. The reason for Ozawa having clarified Fukuda's secret approach seems to a desire to sweep away such doubts in his party.

14) National debt hits record 838 trillion yen at end of 2007

MAINICHI (Page 9) (Full)
February 26, 2008

The balance of the nation's debt jumped to a record 838 trillion yen as of the end of last year, up 4,306.8 billion yen from the level posted Sept. 30, according to the Finance Ministry yesterday. This

figure is 5,741.9 billion yen larger than the level at the end of December 2006. The balance of per-capita debt is calculated at 6.56 million yen, up about 50,000 yen from the year before.

The Finance Ministry announces the balance of the nation's debt, calculated by adding the government's borrowings and financing bills (FB), every three months. Of the total, government bonds increased 3,365.3 billion yen to 534,514.5 billion yen. Investment-and-loan bonds climbed 845.5 billion yen to 141,043.4 billion yen.

Borrowing under the general and special accounts of the national budget reached 57,036.6 billion yen, up 119.9 billion yen. FB, used to make up for temporary funding shortages, stood at 102,326.9 billion yen, up 222.9 billion yen. The amount worked out by deducting the total amount of investment-and-loan bonds and FB from

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the balance of debt is regarded as the balance of long-term debt. The Finance Ministry estimates this amount at approximately 607 trillion yen as of the end of fiscal 2007. The total amount of the central and local governments' long-term debt is expected to reach about 772 trillion yen.

SCHIEFFER